



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

A few other criticisms may be briefly made. It is hardly correct to say that a fall in interest injures labor rather than the capitalist (p. 330); history does not support the claim that the great inventions of last century were in marked contrast to those of today in that the former worked immediately to the benefit of the laborer (p. 328); it is true that the apprentice's privilege of sitting at his master's table is denied American workmen (p. 319), it should not be forgotten that the same development has made him exempt from his master's floggings; and, finally, there is no "section of the constitution prohibiting even Congress from making any law annulling the obligations of contracts" (p. 343).

The last chapter of the book discusses the policy to be pursued regarding trusts. Although so severe in his arraignment of trusts the author recognizes that large organizations are a natural development, and criticises any attempt to abolish them. Instead of destroying he would control; and he recommends legislation to prevent over capitalization, stock gambling, and discrimination, and to secure publicity of accounts. As a means of enforcing such control the government should appoint directors to represent the public in the board of directors of each large corporation.

HENRY RAND HATFIELD.

THE UNIVERSITY OF CHICAGO.

---

*The Cost of Municipal Trading. A Paper Read before the Society of Arts*, by DIXON HENRY DAVIES (with the discussion thereon and diagrams). Reprinted, with additions from the *Journal of the Society of Arts*. London: P. S. King & Son, 1899. 8vo. pp. 71, with 6 charts.

THIS paper and the discussion upon it have to do with the undertaking by the municipality of enterprises or industries commonly known as public utilities. Mr. Davies believes the growing tendency of British cities to municipalize certain industries is greatly to be deplored, and he thinks Parliament should be asked to exercise a restraining influence by refusing to grant to cities the permission necessary to the enlargement of their municipal activities.

Mr. Davies bases his objections to "municipal enterprise" upon "general economic principles of limitation of state functions, applicable

to municipal government as well as imperial." The growth of what he terms the proper municipal functions requires, he says, all the attention and resources of the authorities. The undertaking of industries by the municipality must tend to develop a bureaucracy, lacking both the stimulus and the restraint of private enterprise, the effect of which must be repressive. Mr. Davies considers four arguments in favor of municipalization: (1) cheap money; (2) community entitled to profit of communal service; (3) sordid motives of private enterprise, and (4) private monopolies objectionable — and finds them not convincing. As over against those arguments, he asserts that governments will not and ought not to take risks, they cannot invent and therefore municipal enterprise tends to stagnation.

It is when he comes to the consideration of the monopoly phase of these public service industries that Mr. Davies gives to his opponents their best opportunity for attack. He says:

That such concerns are bound to become monopolies in the hands of the corporation [the municipality] may be admitted, for the whole power and authority of that body is used to defend them as such, and to prevent anyone else conducting a competing trade, which, but for the corporation, they would be entitled to do, but to say that they are monopolies when they are in private hands is an abuse of the term. They are only monopolies so long as by reason or their efficient service, or of the apathy of the community, the public do not choose to make the effort necessary to establish a rival undertaking.

If Mr. Davies' contention that public service industries may properly be considered competitive industries, is accepted, the conclusion urged by him that they should be left to private hands follows naturally enough. But the basal contention cannot be accepted. American cities have been proceeding on the theory put forth by Mr. Davies, and with very sorry results, for the most part. The fact is that the street car business, the telephone business, the gas business, the electric light business, and similar industries requiring for their prosecution franchises for the use of public highways, are, in the nature of things, bound to develop into monopolies. Not only that, but they should be monopolies, and it will be better for all concerned when they are treated as such. A concern enjoying monopoly privileges can furnish much better and cheaper service than several competing concerns. Progressive municipalities the world over are beginning to recognize that fact and to act accordingly, whether their policy be to operate such industries themselves or to entrust the management to private hands.

Granted that these industries should be monopolies, and considering that special franchises or licenses are necessary in order to enable private individuals to engage in the business at all, the question presented as between a public monopoly and a private monopoly under strict public control is simply one of results. No fundamental principles, either of economics or government, can rightly be appealed to as decisive in favor of one course as against the other. That course is best which experience and trial shall show to be productive of the most efficient service and the lowest rates to consumers, and which interferes least with the other activities of the government and the people. Naturally local and special conditions must be an important and probably the determining factor in each specific instance. Mr. Davies gives his case away, in so far as he attempts to defend his position upon grounds of fundamental principles of economics and government, by admitting the desirability of municipalization of the supply of water, "which, as a matter of common necessity, and one connected with vital questions of public health, may well be entrusted to the management of the civic officers, more especially as it does not involve any manufacturing risks, and cannot possibly be replaced by another article." If the special reasons advanced are sufficient justification for municipalization of water works, kindred special reasons may be advanced for the municipalization of lighting and transportation systems; then the conditions are favorable to that policy.

Mr. Davies is not fortunate when he draws on America for illustration. He says :

It would be wrong to overlook the serious state of the municipal institutions of America, arising, as competent advisers tell us, from the unlimited enlargement of the functions of the government. The consequence is that public employment is excessively multiplied and the municipal debts have risen to colossal dimensions. The affairs of the cities are left to professional politicians, and are conducted in such a nauseous atmosphere of class corruption and party trickery, that the better class decline to have anything to do with them. A distrust of the servants and representatives of the people is everywhere manifest.

The authority cited in support of this statement is Lecky, *Democracy and Liberty*, Vol. I. pp. 80-86. As a matter of fact, Mr. Davies has misinterpreted his authority. Mr. Lecky, in the pages cited, is speaking of the evils of the spoils system as it exists in America, but he does not even hint at the extension of municipal function in the

direction assumed by Mr. Davies. The truth is that American cities have done comparatively little in the way of management of industries, but have usually left such matters to private corporations, and only too frequently with most scandalous results. Mr. John Burns, M. P., who took part in the discussion of Mr. Davies' paper, showed a better understanding of American conditions, when he said the maladministration of American cities was due in an important degree to the influence of private enterprise in search of special privileges for the management of these public service industries.

Mr. Davies presents charts showing the increase of rates and debt for the past twenty years. The debt increase for cities is striking, and much more than half is for what Mr. Davies terms trading purposes. The charts are deficient, however, in that they do not show what assets are possessed by the cities as an offset to this indebtedness. In other words, the charts fail to throw light on the real question at issue, which is, have the expenditures which this debt represents been profitable ones, and is the public warranted in making more of the same kind?

The paper of Mr. Davies, together with the discussion thereof, is interesting but not highly profitable, unless, as was suggested, it should lead to a parliamentary inquiry covering the entire subject. The need for literature upon the subject of municipalization is not for statements of *a priori* arguments for one side or the other, but for light upon the practical workings and possibilities of public as opposed to private management of these industries under monopoly conditions. The field is one calling for careful research and examination of conditions as they exist, and the presentation of the results of investigation in such manner as to warrant the drawing of inferences applicable to various sets of conditions.

GEORGE CUSHING SIKES.

---

*Economic Aspects of the Liquor Problem.* By JOHN KOREN. An investigation made for the Committee of Fifty under the direction of HENRY W. FARNAM, secretary of the Economic Sub-committee. Boston: Houghton, Mifflin & Co., 1899. 12mo. pp. x + 240 + 87.

THIS is the second volume in the series of official publications of the Committee of Fifty, the first having appeared in 1897, bearing the title, *The Liquor Problem in its Legislative Aspects*; while other volumes on other aspects of the problem are promised. The object